

Message Text

UNCLASSIFIED

PAGE 01 TOKYO 03353 01 OF 02 011057Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 AGRE-00 DOE-11 SOE-02 /123 W
-----073201 011105Z /11

P R 010928Z MAR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 5710
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS SECTION 1 OF 2 TOKYO 3353

USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - FEB 23-MAR 1

1. SUMMARY. YEN CLIMBS BACK ABOVE 238 AMIDST HEAVY BANK
OF JAPAN (BOJ) INTERVENTION AND ACTIVE TRADING. DIET
COMPROMISE CALLS FOR SMALL CUT IN INCOME TAXES. PUBLIC
WORKS SPENDING TO BE ACCELERATED IN FY 78. INDUSTRIAL PRO-
DUCTION GAINS FOR THIRD CONSECUTIVE MONTH. RUMORS OF
DISCOUNT RATE CUT GAIN CURRENCY IN WAKE OF COLLAPSE OF
EIDAI CO. OFFICIALS UNOFFICIALLY CONJECTURE CURRENT ACCOUNT
SURPLUS FOR FY 77 WILL COME IN AT \$12.5-\$13.0 BIL.
CONSTRUCTION ORDERS UP IN JAN. AVERAGE PROPENSITY TO SAVE
RISES IN LAST QUARTER 1977.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 03353 01 OF 02 011057Z

END SUMMARY.

2. AFTER BOBBING UP AND DOWN BETWEEN 239.50 AND 238.00 TO THE
DOLLAR FOR ALMOST ONE WEEK, THE YEN, ON WED, MARCH 1,
CLIMBED TO 237.50 IN BRISK TRADING. WITH WHAT DEALERS
REFERRED TO AS "DESPERATE BUYING" OF DOLLARS BY THE BOJ,
THE RATE WAS HELD JUST ABOVE 237.50 OVER THE BALANCE OF THE

DAY. ACCORDING TO PRESS ACCOUNTS, BOJ INTERVENTION HAS BEEN NOTED ON EACH OF THE LAST SEVEN TRADING DAYS. MARCH 1 DOLLAR PURCHASES WERE ESTIMATED AT \$200-300 MIL AND ABOUT \$200 MIL WAS ESTIMATED FOR BOTH FEB 22 AND FEB 24.

3. FOLLOWING SOME INITIAL STONEWALLING BY THE LIBERAL DEMOCRATIC PARTY (LDP) AND FOUR DAYS OF SUSPENDED DIET DISCUSSIONS ON THE BUDGET, A DEAL APPEARS TO HAVE BEEN STRUCK TO COMPROMISE OPPOSITION PARTY DEMANDS FOR AMENDMENTS TO THE GOVT'S PROPOSED FY 78 BUDGET. THE ORIGINAL DEMANDS TOTALED 1.2 TRILLION YEN (TOKYO 2874, PARA 2). THE DLP PROPOSED COMPROMISE CALLS FOR CONCEDED 300 BIL YEN IN PERSONAL INCOME TAX CUTS AND ADDING 40 BIL YEN IN SOCIAL WELFARE SPENDING. SOCIAL WELFARE SPENDING WOULD BE FINANCED BY DIVERTING RESERVE FUNDS. ACCORDING TO PRESS ACCOUNTS, THIS IS NOT A FINAL SETTLEMENT BUT THERE IS TACIT AGREEMENT THAT THE NEW LIBERAL CLUB WILL VOTE WITH THE LDP TO SECURE PASSAGE OF THE BUDGET WITH THESE MODIFICATIONS, WITH THE OTHER OPPOSITION PARTIES VOTING AGAINST. FINAL PASSAGE BY APR 4 IS ANTICIPATED, CLOSE ENOUGH TO THE APR 1 BEGINNING OF THE FISCAL YEAR

TO AVOID THE NECESSITY OF A TEMPORARY BUDGET.

4. AS PART OF ITS ECONOMIC STIMULUS EFFORT, THE GOVT ON FEB 27 ANNOUNCED IT WAS SETTING A GOAL OF CONTRACTING DURING THE FIRST SIX MONTHS OF FY 78 FOR 70 PERCENT OF UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 03353 01 OF 02 011057Z

ALL BUDGETED PUBLIC WORKS PROGRAMS. A SIMILAR PROGRAM OF FRONTLOADING PUBLIC WORKS SPENDING WAS FOLLOWED IN FY 77 AND THE GOVT ANNOUNCED THAT THROUGH JAN IT HAD LET CONTRACTS FOR 86.9 PERCENT OF ALL PROJECTS BUDGETED FOR FY 77.

5. INDUSTRIAL PRODUCTION ROSE STRONGLY FOR THE THIRD CONSECUTIVE MONTH IN JAN. ACCORDING TO PRELIMINARY FIGURES, MINING AND MANUFACTURING PRODUCTION WAS UP 1.1 PERCENT (S.A) IN JAN AFTER GAINS OF 0.9 PERCENT IN DEC AND 2.1 PERCENT IN NOV. SHIPMENTS WERE ALSO UP 0.6 PERCENT (S.A.) IN JAN AFTER STRONG GAINS IN NOV AND DEC. INVENTORIES WERE UNCHANGED AND THE RATIO OF INVENTORY TO SHIPMENTS DECLINED FOR THE THIRD MONTH RUNNING (TOKYO 3258).

6. IN THE WAKE OF THE COLLAPSE OF EIDAI CO., RUMORS OF AN IMMINENT CUT IN THE DISCOUNT RATE OF EITHER 1/2 OR 3/4 PERCENT HAVE AGAIN BEGUN TO CIRCULATE. VARIOUS PRESS REPORTS ASSERT THE MOF AND BOJ ARE CONCERNED ABOUT THE SQUEEZE ON BANKS THAT HAS RESULTED FROM NARROW INTEREST SPREADS AND LARGE LOAN LOSSES. IN A RATHER UNUSUAL MOVE, ON FEB 21, THE DAY FOLLOWING THE FAILURE OF EIDAI, POST AND TELECOMMUNICATIONS MINISTER HATTORI PUBLICLY INDICATED AN EARLY CUT IN THE DISCOUNT RATE WAS

IN THE OFFING. SINCE POST AND TELECOMMUNICATIONS HAS GENERALLY BEEN THE LAST TO ACQUIESCE IN DISCOUNT RATE CUTS BECAUSE OF ITS EFFECT ON POSTAL SAVINGS RATES, THIS WAS TAKEN AS A SIGNAL A CUT WAS NEAR. HOWEVER, IN A SPEECH TO THE FOREIGN PRESS CLUB FEB 23, BOJ GOVERNOR MORINAGA SAID THAT THE EIDAI CASE WAS XCEPTIONAL AND HAD NOT ALTERED THE BANK'S JUDGEMENT ABOUT THE DISCOUNT RATE. ORINAGA SAID THAT ANY CUT WOULD BE BASED ON A CAREFUL ANALYSIS OF ECONOMIC PROSPECTS.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 TOKYO 03353 02 OF 02 011103Z

ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 AGRE-00 DOE-11 SOE-02 /123 W
-----073238 011105Z /11

P R 010928Z MAR 78

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 5711

TREASURY DEPT WASHDC PRIORITY

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

UNCLAS SECTION 2 OF 2 TOKYO 3353

7. WITH THE CUMULATIVE CURRENT ACCOUNT SURPLUS FOR THE FIRST TEN MONTHS OF FY 77 NOW UP TO \$9,984 MIL (S.A.). THE OFFICIAL GOVT FORECAST OF A \$10 BIL SURPLUS IS CLEARLY OUT THE WINDOW. PRESS REPORTS SAY GOJ OFFICIALS NOW EXPECT THE FINAL RESULT WILL TOTAL BETWEEN \$12.5 AND \$13.0 BIL, IMPLYING A CONTINUATION FOR THE NEXT TWO MONTHS OF THE TREND OF THE LAST FEW MONTHS. APPARENTLY ANTICIPATING REACTION TO THESE NUMBERS, PM FUKUDA ON FEB 24 INSTRUCTED MINISTER FOR EXTERNAL AFFAIRS USHIBA TO FOLLOW THROUGH ON THE EMERGENCY IMPORT PROGRAM IN ORDER TO REDUCE THE SURPLUS.

8. NEW CONSTRUCTION ORDERS, S.A., ROSE FOR THE SECOND MONTH IN A ROW IN JAN, WITH RATE OF ADVANCE ACCELERATING SHARPLY FROM DEC 1977. JAN INCREASE OF 9.4 PERCENT IN NEW CONSTRUC-

TION ORDERS WAS PRIMARILY ATTRIBUTABLE TO STRONG ORDER PLACE-
MENT BY GOVT AND PUBLIC SECTOR, WHICH REGISTERED 9.7 PERCENT
GAIN DURING JAN. PRIVATE NEW CONSTRUCTION ORDERS ROSE 1.0
PERCENT IN JAN ON TOP OF THE 3.0 PERCENT INCREASE IN DEC
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 03353 02 OF 02 011103Z

NEW CONSTRUCTION ORDERS, S.A.
(IN BIL YEN; PERCENT CHANGE FROM PRIOR MONTH IN
PAREN)

	G	PRIVATE	TOTAL
	GOVT/PUBLIC(JEI 324)	(JEI 325)	(JEI 323)
1977: NOV	224.3(MIN 15.0)	279.1(MIN 4.2)	557.4 (MIN 2.4)
DEC	243.0 (8.4)	287.5 (3.0)	568.9 (2.1)
1978: JAN	266.7 (9.7)	290.3 (1.0)	622.6 (9.4)

NOTE: ALL INCLUDES OTHERS. SEASONAL ADJUSTMENT FACTORS FOR
PRIOR PERIODS HAVE BEEN REVISED,
AS CUSTOMARY AT THE BEGINNING OF THE YEAR. DATA ABOVE ARE
ALL ON NEWLY REVISED BASIS.

9. EXPORT AND IMPORT CONTRACT PRICE INDICES, N.S.A., BOTH
ROSE SLIGHTLY IN JAN AFTER DECLINES IN PRECEDING THREE MONTHS.
EXPORT AND IMPORT CONTRACT PRICE INDICES, N.S.A.
(1975 EQUALS 100; PERCENT CHANGE FROM PRIOR MONTH IN PAREN)

	EXPORTS	IMPORTS
	(JEI 80)	(JEI 88)
1977: NOV	90.4(MIN 1.8)	94.1 (MIN 3.3)
DEC	89.7(MIN 0.8)	92.1 (MIN 2.1)
1978: JAN	89.9(0.2)	92.2(0.1)

10. NIKKEI DATED MAR 1 REPORTED FOUR FOREIGN YEN BOND ISSUES
TOTALING ABOUT 100 BIL YEN ARE EXPECTED FOR MAY. FOUR MAJOR
JAPANESE SECURITIES FIRMS HAVE RECENTLY RECEIVED SEMI-
OFFICIAL APPROVAL FOR THESE BOND ISSUES FROM MOF.

11. AVERAGE PROPENSITY TO SAVE OF WORKING HOUSEHOLDS,
S.A., DECLINED SLIGHTLY IN DEC BUT FOR OCT-DEC QUARTER
AS A WHOLE ROSE TO 23.5 PERCENT OF DISPOSABLE INCOME FROM
22 PERCENT AVERAGED IN JUL-SEP QUARTER. FOR 1977 AS A WHOLE,
LIVING EXPENDITURE OF WORKING HOUSEHOLDS AVERAGE 197,937
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 03353 02 OF 02 011103Z

YEN, UP 9.6 PERCENT IN NOMINAL TERMS BUT UP ONLY 1.4 PERCENT
IN REAL TERMS. NOMINAL DISPOSABLE INCOME ROSE 9.8 PERCENT
IN 1977 TO 256,340 YEN PER MONTH (UP 1.6 PERCENT IN REAL
TERMS), BRINGING AVERAGE PROPENSITY TO SAVE SLIGHTLY UP/TO
22.8 PERCENT FROM 22.6 PERCENT IN 1976.

AVERAGE PROPENSITY TO SAVE, PERCENT OF DISPOSABLE

INCOME (JEI 363)

(1) RECENT MONTHS, S.A.

OCT 23.1

NOV 23.9

DEC 23.6

(2) RECENT QUARTERS, S.A., MONTHLY AVERAGE

JAN-MAR 23.9

APR-JUNE 21.4

JUL-SEP 22.0

OCT-DEC 23.5

(3) RECENT YEARS, MONTHLY AVERAGE

1975 23.0

1976 22.6

1977 22.8

MANSFIELD

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC REPORTS, YEN (CURRENCY)
Control Number: n/a
Copy: SINGLE
Draft Date: 01 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TOKYO003353
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780093-0757
Format: TEL
From: TOKYO EEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197803117/aaaadvtn.tel
Line Count: 240
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 13f33dba-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23 feb 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3148214
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL AND ECONOMIC DEVELOPMENTS - FEB 23-MAR 1
TAGS: EFIN, JA
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/13f33dba-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014